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MANGEL STORES CORPORATION

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1935

AND

CONSOLIDATED INCOME AND PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1935

MRB
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Corp. File

February 21, 1936.

To the Stockholders of
MANGEL STORES CORPORATION

The Profit and Loss account for the year ended December 31, 1935 and the consolidated balance sheet are presented herewith.

In the ladies' ready-to-wear business, conditions were not as favorable in 1935 as in 1934. Although sales were slightly larger, the conditions mentioned required a higher commodity cost to counteract them, and as a consequence, profits were proportionately smaller.

However, net working capital increased from $754,368 at the end of 1934 to $867,074 at the end of 1935. A conservative store expansion policy was in effect during the year, the net gain for the system being two stores.

Your company feels that should the business volume for 1936 be no greater than that of 1935, larger profits can be expected because of more favorable current cost factors.

Respectfully submitted,

SOL MANGEL,
President.

EXHIBIT A

MANGEL STORES CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1935

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand			$ 764,398.68
Sundry accounts receivable (less reserve)			25,164.58
Merchandise inventory, certified by the management as to quantities, marketable condition, and as to valuation at the lower of cost or market			793,961.71
TOTAL CURRENT ASSETS			$1,583,524.97
OTHER ASSETS:			
Loans to officers, employees and others (less reserve)		$ 2,367.78	
Cash balances, certificates of participation, etc.—suspended banks (less reserve)		893.47	
Sundry deposits		4,260.08	7,521.33
FIXED ASSETS:			
Real estate—at values as appraised for the management in June, 1932, subject to mortgages shown contra	$184,370.00		
Less: Reserve for depreciation	9,121.35	175,248.65	
Furniture and fixtures, leasehold improvements, and truck—at values appraised by the management in June, 1932, with subsequent additions at cost	303,818.53		
Less: Reserve for depreciation on additions subsequent to June, 1932	31,376.10	272,442.43	447,691.08
DEFERRED CHARGES:			
Unexpired insurance, prepaid expenses, etc.		39,784.88	
Stationery and supplies		6,150.00	45,934.88
GOODWILL			1.00
			$2,084,673.26

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable—merchandise, less discounts		$ 445,931.70	
Accounts payable—expenses, etc.		177,539.22	
Customers' credits		18,120.02	
Mortgage installments payable within one year		6,500.00	$ 648,090.94
Reserve for Federal income taxes and contingencies			68,359.80
TOTAL CURRENT LIABILITIES			716,450.74
MORTGAGES PAYABLE ON REAL ESTATE, LESS CURRENT INSTALLMENTS:			
Mortgage payable—October 28, 1937		45,000.00	
Mortgage payable in installments through October 8, 1945		38,000.00	83,000.00
CAPITAL STOCK AND *Deficit:*			
Preferred Stock—6½% Cumulative, Par Value $100.00 per Share: Authorized—35,000 shares Issued and outstanding—17,500 shares	$1,750,000.00		
Common Stock—No Par Value: Authorized—250,000 shares Issued and outstanding—125,000 shares	625,000.00	2,375,000.00	
Deficit:			
Surplus—special, limited to payment of dividends on preferred stock	253,256.10		
Consolidated operating *deficit*—January 1, 1935	*1,525,361.04*		
	1,272,104.94		
Deduct: Consolidated net profit for the year ended December 31, 1935—per Exhibit B	182,327.46	*1,089,777.48*	1,285,222.52
			$2,084,673.26

Subject to the comments contained in the attached certificate.

EXHIBIT B

MANGEL STORES CORPORATION
AND SUBSIDIARIES
CONSOLIDATED INCOME AND PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1935

Net sales	$8,665,716.66
Operating profit before depreciation	$ 234,780.92
Depreciation of fixed assets	27,380.94
	207,399.98
Other income	6,775.24
	214,175.22
Other charges	11,847.76
Consolidated net profit before provision for Federal income taxes	202,327.46
Provision for Federal income taxes	20,000.00
Consolidated net profit transferred to surplus	$ 182,327.46

TO THE BOARD OF DIRECTORS,
MANGEL STORES CORPORATION,
NEW YORK, N. Y.

We have made an examination of the consolidated balance sheet of the Mangel Stores Corporation and its subsidiaries as at December 31, 1935, and of the consolidated statement of income for the year ended December 31, 1935. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Minutes of stockholders' and directors' meetings have been examined and the attached statements have been prepared in accordance therewith.

Cumulative dividends on the Preferred Capital Stock, unpaid since November 30, 1930, amount to $32.50 per share or an aggregate of $568,750.00, as of January 1, 1936. Sinking Fund requirements for the redemption of Preferred Capital Stock unprovided at the same date, aggregated $288,750.00.

The mathematical accuracy of depreciation and/or depletion charges adopted as a policy of the companies since June 27, 1932, the date of a reorganization, have been verified and, in our opinion, based upon present book amounts of the fixed assets, the provision for depreciation and/or depletion is adequate.

In our opinion, based upon such examination, and subject to the foregoing comments, the accompanying consolidated balance sheet and related consolidated statement of income fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, their consolidated financial position at December 31, 1935, and the consolidated results of their operations for the year then ended.

New York, N. Y.,
February 19, 1936.

S. D. LEIDESDORF & CO.